

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF DELAWARE

IN THE MATTER OF THE APPLICATION OF )  
CHESAPEAKE UTILITIES CORPORATION )  
FOR APPROVAL OF A CHANGE IN ITS GAS ) PSC DOCKET NO. 18-1056  
SALES SERVICE RATES ("GSR") TO BE )  
EFFECTIVE NOVEMBER 1, 2018 )  
(FILED AUGUST 31, 2018) )

DIRECT TESTIMONY OF  
CONNIE S. MCDOWELL  
ON BEHALF OF THE STAFF OF THE  
DELAWARE PUBLIC SERVICE COMMISSION

FEBRUARY 27, 2019

DIRECT TESTIMONY OF CONNIE S MCDOWELL  
PSC DOCKET NO. 18-1056

1   **Q.   Please state your name and the name and address of your employer.**

2   A.   My name is Connie S. McDowell.   I am employed by the Delaware  
3       Public Service Commission ("Commission") and my business address  
4       is 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover,  
5       Delaware 19904.

6   **Q.   What is your position with the Public Service Commission?**

7   A.   I am a Senior Regulatory Policy Administrator with the Commission.  
8       I was employed with the Commission from July 1984 to December 2006  
9       and rehired in my current position as of June 2013.

10  **Q.   Please describe your duties and responsibilities at the**  
11  **Commission.**

12  A.   My duties include reviewing dockets filed with the Commission to  
13       determine the policy direction for the Commission Staff to address  
14       in docketed cases, providing technical direction and training to  
15       the public utility analysts, preparing and presenting testimony  
16       with recommendations, participating in the development of work  
17       plans for docketed cases, and managing the public utility analysts  
18       assigned to participate in those dockets.

19  **Q.   What is your professional experience and education?**

20  A.   I received a Bachelor of Arts & Science Degree in Mathematics from  
21       the University of Delaware and Master's Degree in Business  
22       Administration from Delaware State University.   Also, I was an  
23       adjunct instructor in the area of Accounting and Marketing at  
24       Delaware Technical & Community College - Terry Campus for 5 years.  
25       During my 28 years of employment at the Commission, I have held  
26       various positions as a Public Utility Analyst I, II, and III, Chief

DIRECT TESTIMONY OF CONNIE S MCDOWELL  
PSC DOCKET NO. 18-1056

1 of Technical Services, Hearing Examiner, and Senior Regulatory  
2 Policy Administrator and have testified in several telecom, cable,  
3 electric, natural gas, water and wastewater cases.

4 **Q. For whom are you testifying in this proceeding?**

5 A. I am testifying on behalf of the Commission Staff ("Staff").

6 **Q. What is the purpose of your testimony?**

7 A. I am the Case Manager for this filing, "In the Matter of the  
8 Application of Chesapeake Utilities Corporation ("Chesapeake" or  
9 the "Company") for Approval of a Change in its Gas Sales Service  
10 Rates to be Effective November 1, 2018" ("Application"). The  
11 purpose of my testimony is to review the Application to ensure that  
12 the proposed rates are just and reasonable and that they comply  
13 with Chesapeake's tariff. I have examined the Application,  
14 including: the testimonies and schedules; Chesapeake's responses  
15 to Staff and the Division of the Public Advocate's ("DPA") data  
16 requests; prior GSR dockets; prior settlement agreements; and  
17 Chesapeake's quarterly hedging reports and the Long-Term Supply  
18 and Demand Strategic Plan ("Supply Plan") for the period 2018/2019  
19 through 2022/2023. My testimony will include a recommendation to  
20 the Commission regarding the treatment of this Application.

21 **Q. Please identify other analysis performed on behalf of Staff as part**  
22 **of this proceeding.**

23 A. Mr. Jerome D. Mierzwa, Vice President of Exeter Associates, Inc.,  
24 was retained to review forecasted demand requirements, seasonal  
25 and design day capacity, lost and unaccounted-for gas, overall gas  
26 procurement and hedging purchasing practices, and the management

DIRECT TESTIMONY OF CONNIE S MCDOWELL  
PSC DOCKET NO. 18-1056

of the Company's gas supply as part of this proceeding. Mr. Mierzwa will also be submitting direct testimony detailing his findings and recommendations regarding the treatment of this Application.

**Q. How is your direct testimony organized?**

A. My direct testimony includes a summary of the Company's Application and Staff's recommendations related to the approval of the gas sales rates and firm balancing rates proposed by the Company and a review of the Company's compliance with PSC Order No. 9218 in PSC Docket No. 17-1021, which the Commission issued at the conclusion of last year's GSR proceeding.

**SUMMARY OF THE COMPANY'S APPLICATION**

**Q. Please provide a brief summary of the Company's Application.**

A. On August 31, 2018, Chesapeake filed an Application with proposed changes in its Gas Sales Service Rates as follows:

- to decrease its GSR for customers taking service under rate schedules RS-1, ERS-1, RS-2, ERS-2, GS, EGS, MVS, EMVS, and LVS from \$1.023 per Ccf to \$0.833 per Ccf;
- to decrease its GSR for customers taking service under rate schedules GLR and GLO from \$0.468 per Ccf to \$0.362 per Ccf;
- to decrease its GSR for customers taking service under rate schedule HLFS from \$0.782 per Ccf to \$0.630 per Ccf;
- to increase its firm balancing rate for transportation customers taking service under rate schedule GS, EGS, and USA-G from \$0.093 per Ccf to \$0.133 per Ccf;

DIRECT TESTIMONY OF CONNIE S MCDOWELL  
PSC DOCKET NO. 18-1056

- 1           • to increase its firm balancing rate for transportation  
2           customers taking service under MVS, EMVS and USA-M from \$0.111  
3           per Ccf to \$0.158 per Ccf;
- 4           • to increase its firm balancing rate for transportation  
5           customers taking service under LVS from \$0.084 per Ccf to  
6           \$0.107 per Ccf;
- 7           • to decrease its firm balancing rate for transportation  
8           customers taking service under HLFS from \$0.014 per Ccf to  
9           \$0.010 per Ccf; and
- 10          • to decrease its interruptible balancing rate for  
11          transportation customers taking service under rate schedule  
12          ITS from \$0.011 per Ccf to \$0.001 per Ccf.

13       As authorized by PSC Order No. 9272 (September 25, 2018), these  
14       rates went into effect on a temporary basis, subject to refund  
15       and pending further review and a final decision by the Commission  
16       for gas service usage, on and after November 1, 2018.

17   **Q.   What impact will this proposed GSR Application have on an average**  
18       **residential heating customer as compared to the last GSR**  
19       **Application?**

20   **A.**   As compared to the rates that were in effect November 1, 2017, an  
21       average RS-2 customer using 700 Ccf per year will experience an  
22       annual decrease of approximately 11.79% or \$11.08 per month.  
23       During the winter heating season, a typical RS-2 customer using  
24       110 Ccf per month will experience a decrease of approximately  
25       13.08% or \$20.90 per winter month.

DIRECT TESTIMONY OF CONNIE S MCDOWELL  
PSC DOCKET NO. 18-1056

1 Q. Did you review the schedules and calculations contained in the  
2 Application for accuracy and conformance with the Company's  
3 existing tariff?

4 A. Yes, pursuant to 26 Del. C. § 303(b), the Company has complied with  
5 and met the filing requirements needed to allow it to implement  
6 the proposed rates. I have also reviewed and verified the  
7 mathematical accuracy of the schedules and calculations provided  
8 in the Application and determined that they conform to the  
9 Company's tariff.

10 Q. Does Staff have any recommendations related to the GSR and firm  
11 balancing rates requested by the Company as part of its September  
12 1, 2018 Application?

13 A. Yes. Staff has reviewed the Company's original Application,  
14 including the supporting schedules, and has considered the  
15 recommendations by Jerome D. Mierzwa, Staff, and the DPA's  
16 Consultant, concerning the assignment of expansion capacity costs  
17 to transportation customers as explained in Mr. Mierzwa's direct  
18 testimony. Therefore, I am recommending that the Commission approve  
19 the proposed GSR rates, and increase the rates charged to  
20 transportation customers for released Eastern Shore Natural Gas  
21 capacity and balancing service charges by 4.6%.

22 Review of Compliance with PSC Docket No. 16-0908 and 17-1021

23 Q. Please summarize the provisions of PSC Order No. 9058 (May 9,  
24 2017), which the Commission issued at the conclusion of the GSR  
25 proceeding for 2016/2017 time period and whether Chesapeake  
26 continues to be in compliance with those provisions.

DIRECT TESTIMONY OF CONNIE S MCDOWELL  
PSC DOCKET NO. 18-1056

1   A.   PSC Order No. 9058 approved Chesapeake's 2016/2017 GSR and  
2       Firm Balancing Rates as final. The Commission also ordered  
3       that the Company continue to comply with Paragraphs 8, 9, 14,  
4       and 15 of the settlement agreement approved in PSC Docket No.  
5       15-1362 and approved by PSC Order No. 8924 (August 9, 2016).  
6       Paragraphs 8, 9, 14, and 15 are as follows:

7           **Paragraph 8.** The Company should continue to  
8       monitor the level of its over/under collection  
9       balance to determine whether a change in the  
10      methodology used to calculate its GSR rate is  
11      necessary. The Company should hold quarterly  
12      discussions with the Staff and DPA, at their  
13      request, for the purpose of review the Company's  
14      over/under collection balances, hedging program,  
15      and other areas of interest to the Settling  
16      Parties, such as what measure could be implemented  
17      in the Company's annual GSR filing to reduce the  
18      volatility of GSR rates caused by the amortization  
19      of gas cost over-and-under collections.  
20

21          **Paragraph 9.** The Company should continue to  
22      utilize its annual Supply Plan as a mechanism by  
23      which to notify the Settling Parties of the need  
24      for all new capacity additions. When the Company  
25      needs to acquire capacity that was not previously  
26      identified in its most recent Supply Plan, the  
27      Company should provide the information agreed to  
28      in the Settlement Agreements to PSC Docket Nos.  
29      08-296F and 09-398F regarding Eastern Shore  
30      Natural Gas Company ("ESNG") capacity acquisitions  
31      and to continue to provide this information for  
32      potential upstream capacity additions as well. The  
33      Company should provide this information for both  
34      ESNG and upstream capacity on a confidential basis  
35      only. The Company should continue to review its  
36      design day forecasting methodology each year at  
37      the time the Supply Plan is developed to ensure  
38      its validity. The Company should also review and  
39      comment on any alternative design day forecasting  
40      methodology proposals submitted by either Staff or  
41      the DPA during the course of any review of the  
42      Company's Supply Plan.  
43

DIRECT TESTIMONY OF CONNIE S MCDOWELL  
PSC DOCKET NO. 18-1056

**Paragraph 14.** Chesapeake should continue to provide Staff and DPA with periodic updates regarding any intervention by the Company in Federal Energy Regulatory Commission ("FERC") proceedings and actions taken by the Company on behalf of the Company's ratepayers, including, but not limited to, an enumeration of each issue and the position that the Company is actively pursuing. The Company should provide such periodic updates to Staff and DPA subject to the Company's ability to provide this information on a confidential basis when appropriate.

**Paragraph 15.** As agreed in prior dockets, the Company should continue with the following practices: (a) the Company will notify Staff and the DPA of any supplier refunds that may impact the GSR charges; (b) the Company should continue to include in future GSR applications an update on steps taken to mitigate the effects of changes in gas costs; (c) the Company should provide information on the total sales volumes, costs, and margins by month for Interruptible Gas Transportation sales as part of its GSR applications; and (f) the Company will calculate the impact on its proposed GSR rates had a thirty-year average degree days been used and provide such information as part of the discovery process, when and if requested.

To date, Staff is not aware of any failures by the Company to comply with the above provisions of various notifications and practices to Staff and the DPA. Therefore, Staff believes that the Company has continued to comply with the provisions listed above.

**Q. Please summarize the provisions of PSC Order No. 9218 (May 22, 2018), which the Commission issued at the conclusion of last year's GSR proceeding (PSC Docket No. 17-1021), and whether the Company has complied with those provisions.**



DIRECT TESTIMONY OF CONNIE S MCDOWELL  
PSC DOCKET NO. 18-1056

1 A. Chesapeake agreed that in its 2018/2019 GSR filing, it would  
2 propose transportation service balancing charges consistent with  
3 the approach described in Mr. Mierzwa's testimony and further  
4 refined in rebuttal discovery responses. The Company also agreed  
5 that it would consult with Staff/DPA seven calendar days prior to  
6 making a filing with the Commission when the over- or under-  
7 collection exceeds three percent.

8 To date, Chesapeake has complied with the above recommendations.

9 **Q. Does this conclude your testimony?**

10 A. Yes, it does.